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SUBJECT: HILTON TO LEAVE MADAGASCAR

11. (U) SUMMARY: The Hilton Corporation confirmed that as of November 1 they will no longer manage the largest hotel in Madagascar. END SUMMARY.

12. (U) La Gazette, a local newspaper known for exaggeration, first reported the imminent departure of the Hilton. In typical sensationalist fashion, the newspaper insinuated that this change was the result of friction between the Hilton and the owners of the building, including a large share owned by the Government of Madagascar. The General Manager of the Hilton denies that the transfer of management to the owners is anything but amicable. He reported no staff changes were planned and the owners will directly hire a new General Manager. According to the current General Manager, the Hilton plans on making the transfer as smooth as possible and hopes the hotel will continue to operate as "business as usual". In the near term the owners will operate the hotel, but there is a possibility that a solicitation could be tendered in the future for managing the hotel.

13. (U) The hotel is 52 percent owned by the French-American Henri Fraises Group and 48 percent by the Government of Madagascar. While it may be unlikely another American hotelier would want to enter where Hilton has departed, Post encourages colleagues to share this "opportunity" with other companies.

14. (SBU) COMMENT: As the Hilton brand serves as an American symbol, this loss will be noted as the departure of one of the few visible American operations in Madagascar. While the Hilton denies the claim in La Gazette that disagreements arose between the owners and Hilton over renovations to the building, it would not be difficult to imagine this as a plausible reason. The hotel is visibly decaying and in need of rehabilitation. Thus Hilton may be pulling out so as to preserve their brand image. END COMMENT.

MARQUARDT